

CHAPTER 6  
BEGINNING FARMER TAX CREDIT PROGRAM

**25—6.1(175) Definitions.**

*“Agricultural asset”* means agricultural land, agricultural improvements or depreciable agricultural property used for farming purposes. “Farming” is defined by Iowa Code section 175.2(10).

*“Agricultural asset transfer agreement”* means any commonly accepted written agreement which specifies the terms of the transfer of operation of the agricultural asset. This may be made on a cash basis or a commodity share basis.

*“Agricultural improvements”* means any improvements, buildings, structures or fixtures suitable for use in farming which are located on agricultural land. “Agricultural improvements” includes a single-family dwelling located on agricultural land which is or will be occupied by the beginning farmer and structures attached to or incidental to the use of the building.

*“Agricultural land”* means land suitable for use in farming and which is or will be operated as a farm.

*“Application”* means a completed instrument with all of the information required by rule 25—6.3(175). The time of application is when a completed application from all parties is received by the authority.

*“Cash basis agreement”* means an agreement whereby operation of the agricultural asset is transferred via a fixed cash payment per annum.

*“Commodity share basis”* means an agreement whereby operation of the agricultural asset is transferred via a risk-sharing mechanism, whereby the agricultural asset owner receives a portion of the production and payment for use of the agricultural asset.

*“Depreciable agricultural property”* means personal property suitable for use in farming for which an income tax deduction for depreciation or cost recovery is allowable in computing federal income tax under the Internal Revenue Code and which is eligible for the beginning farmer tax credit.

*“Eligible applicant”* means an individual who has a net worth of less than \$343,000. The maximum net worth will be indexed annually based on the October 1 annual change in the United States Department of Agriculture’s Prices Paid by Farmers Index. The applicant must also satisfy all of the criteria contained in Iowa Code section 175.37 and provisions of these rules relating to recipient eligibility and must operate or intend to operate a farm.

*“Farm”* means a farming enterprise which is recognized in the community as a farm rather than a rural residence.

*“Taxpayer”* means a person or entity who may acquire or otherwise obtain or lease agricultural land in the state pursuant to Iowa Code chapter 9H or 9I. An individual may claim a tax credit of a partnership, limited liability company, S corporation, estate, or trust electing to have income taxed directly to the individual. The amount claimed shall be based upon the pro-rata share of the individual earnings from the partnership, limited liability company, S corporation, estate, or trust. A taxpayer must also meet the requirement of 2006 Iowa Acts, Senate File 2268, section 2.

*“Total assets”* shall include but not be limited to the following: cash; crops or feed on hand; livestock held for sale; breeding stock; marketable bonds and securities; securities (not readily marketable); accounts receivable; notes receivable; cash invested in growing crops; net cash value of life insurance; machinery, equipment, cars and trucks; farm and other real estate including life estates and personal residence; value of beneficial interest in a trust; government payments or grants; any other assets.

“Total assets” shall not include items used for personal, family or household purposes by the applicant; but in no event shall any property be excluded, to the extent a deduction for depreciation is allowable for federal income tax purposes. All assets shall be valued at fair market value by the applicant. The value shall be what a willing buyer would pay a willing seller in the locality. A deduction of 10 percent may be made from fair market value of farm and other real estate. The applicant should complete the financial statement disregarding this deduction and the authority will make the appropriate adjustments to the statement.

*“Total liabilities”* shall include but not be limited to the following: accounts payable; notes or other indebtedness owed to any source; taxes; rent; amount owed on real estate contracts or real estate mortgages; judgments; accrued interest payable; any other liabilities.

Liabilities shall be determined on the basis of generally accepted accounting principles.  
[ARC 7619B, IAB 3/11/09, effective 2/19/09; ARC 0021C, IAB 2/22/12, effective 3/28/12]

#### **25—6.2(175) General provisions.**

**6.2(1) Eligibility.** To qualify for this credit, the taxpayer must meet all the requirements of Iowa Code chapter 9H or 9I, 2006 Iowa Acts, Senate File 2268, section 2, and these rules. The beginning farmer must meet all requirements of Iowa Code section 175.12 and these rules.

**6.2(2) Term.** The term of the credit shall be equal to the term of the agricultural assets transfer agreement, except that any unused credit may be carried forward for a period of five years if unused in the tax year the credits are earned. Credits may not be carried back to past tax years.

**6.2(3) Fees.** The authority may charge reasonable and necessary fees to defray the costs of this program.

**6.2(4) Expiration of lease.** The beginning farmer will continue to be an eligible beginning farmer for the term of the lease. Upon expiration of the lease, both the agricultural asset owner and beginning farmer must reapply to continue the tax credit.

#### **25—6.3(175) Application procedures.**

**6.3(1)** The authority shall prepare and make available appropriate forms to be used in making application for the tax credit, including forms for both the asset owner and the beginning farmer applicant.

**6.3(2)** Each agricultural asset owner’s application shall include, but not be limited to, the following: name and address, social security number, length of the lease, type of lease, and location of the agricultural asset to be leased. In addition, the asset owner application shall have attached to it a copy of the lease agreement between the parties and shall be due no later than the fifteenth day of the month in which approval is requested.

**6.3(3)** Each beginning farmer application shall include, but not be limited to, the following: name and address, social security number, and location of the asset to be leased. In addition, the beginning farmer application shall have attached to it a copy of the beginning farmer’s financial statement, completed within 30 days of receipt by the authority. The application will also include a background letter on the beginning farmer. This letter may be submitted by one or more of the following: the beginning farmer, the agricultural asset owner or another third party. This letter shall state that the beginning farmer has access to working capital, sufficient education, knowledge or training to complete the project and that the beginning farmer has access to adequate other items (such as machinery and equipment) to carry out the terms of the lease.

**6.3(4)** Applications shall be processed in the order they are received by the authority.

**6.3(5)** The authority shall, by majority vote, approve each application before the tax credit is issued.

**25—6.4(175) Execution of an agricultural assets transfer agreement.** In addition to the requirements set forth above, both the taxpayer (agricultural asset owner) and the beginning farmer shall execute an agricultural assets transfer agreement. This form shall be in a format from the Iowa Bar Association or other commonly accepted form and signed by all parties.

#### **25—6.5(175) Procedures following tax credit approval.**

**6.5(1)** Either the beginning farmer or the taxpayer shall immediately notify the authority of any material changes in the agricultural assets transfer agreement. The authority shall act upon these changes pursuant to 2006 Iowa Acts, Senate File 2268, section 2. Material changes cannot result in an increase in the original tax credit amount approved. Death of a party to the lease, divorce, or sale of the property will be considered eligible material changes. Sale of the property will be considered only if the original lease terms remain in effect and the asset purchaser is determined to be eligible for the program.

**6.5(2)** The beginning farmer shall annually by April 15 submit to the authority a copy of the Schedule F for the previous year. This schedule should document that the beginning farmer paid cash rent, received income and incurred expenses associated with operating the agricultural asset under the terms of the lease agreement.

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These rules are intended to implement Iowa Code chapter 175 as amended by 2006 Iowa Acts, Senate File 2268.

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